

April 3, 2001

PROCUREMENT CIRCULAR NO. 2001-04

TO: All Executive Departments
(Except DOE, OHA, & UH)

FROM: Charles M. Katsuyoshi
Chief Procurement Officer
State Procurement Office

SUBJECT: Small Purchase Procurements

Attached for your information and action as appropriate is Procurement Directive No. 2001-01, dated February 27, 2001.

Please contact the SPO staff at 586-0567 or 586-0577 if there are any questions.

CHARLES M. KATSUYOSHI

RY:sk

Attach.

February 27, 2001

PROCUREMENT DIRECTIVE NO. 2001-01

TO: All Chief Procurement Officers

SUBJECT: Small Purchase Procurements

The purpose of this directive is to clarify small purchase procurements. The small purchase procurement process allows purchasing agencies the flexibility to obtain goods, services, and construction quickly and not be subject to a lengthy formal bid or proposal process. Small purchase procedures require competition by obtaining price quotes and to determine the best value, and not requiring an award to the lowest quote, except for construction.

Section 3-131-2, HAR, sets out the process to determine the dollar threshold for bidding over any twelve-month period. If an agency's requirements are known and exceeds the twelve-month period and the total expenditure is less than current bid level, then small purchase procedures may be used.

For example: An agency has a requirement for janitorial services for a 12-month period and includes options for two additional 12-month extensions. Quotes are solicited and award made to the contractor in the amount of \$10,000. Prior to the end of the initial contract period, agency request contractor for an extension to the contract at the same or lower price. Contractor agrees and award made to same contractor for a total of \$20,000 for the two years. Prior to the end of the second year, the purchasing agency must solicit for new quotes, and not extend the contract, as a third term would increase the contract total amount to \$30,000, and \$5,000 above the current small purchase level.

If a purchasing agency has a requirement for a multi-term contract pursuant to § 3-122-149, HAR, and the total amount of the contract exceeds current small purchase levels, then the requirement must be bid.

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For example: The requirement for maintenance services is for a 3-year contract with two 12-month extensions and the lowest quote solicited for the 3-year contract is \$30,000. As the agency's requirements are known, a 3-year contract that exceeds the current small purchase level, then this requirement must be formally bid pursuant to §§ 103D-302 or 103D-303, HRS.

Any concerns or questions on this issue may be directed to SPO staff at 586-0567 or 586-0577.

CLAIRE H. MOTODA
Chairperson
Procurement Policy Board

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c: All Executive Departments